

*Furnish this exhibit for EACH foreign principal listed in an initial statement
and for EACH additional foreign principal acquired subsequently.*

1. Name and address of registrant International Development Systems, Inc. 733 15th St., N.W. Suite 520 Washington, D.C. 20005	2. Registration No. 4012
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3. Name of foreign principal Bangladesh Garment Manufacturers & Exporters Association (BGMEA)	4. Principal address of foreign principal 30-31 Bilkusha C/A Dhaka-2, Bangladesh
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5. Indicate whether your foreign principal is one of the following type:

☐ Foreign government

☐ Foreign political party

☒ Foreign or ☐ domestic organization: If either, check one of the following:

☐ Partnership

☐ Committee

☐ Corporation

☐ Voluntary group

☒ Association

☐ Other (specify) _____

☐ Individual—State his nationality _____

6. If the foreign principal is a foreign government, state:

a) Branch or agency represented by the registrant.

b) Name and title of official with whom registrant deals.

7. If the foreign principal is a foreign political party, state:

a) Principal address

b) Name and title of official with whom the registrant deals.

c) Principal aim

8. If the foreign principal is not a foreign government or a foreign political party,

a) State the nature of the business or activity of this foreign principal

The Association promotes the business interests of the Bangladesh apparel industry to the Bangladesh Government. Members of the association work with the Bangladesh Government in the formulation of foreign trade policy.

b) Is this foreign principal

- Owned by a foreign government, foreign political party, or other foreign principal Yes ☐ No ☒
- Directed by a foreign government, foreign political party, or other foreign principal..... Yes ☐ No ☒
- Controlled by a foreign government, foreign political party, or other foreign principal Yes ☐ No ☒
- Financed by a foreign government, foreign political party, or other foreign principal Yes ☐ No ☒
- Subsidized in whole by a foreign government, foreign political party, or other foreign principal..... Yes ☐ No ☒
- Subsidized in part by a foreign government, foreign political party, or other foreign principal..... Yes ☐ No ☒

9. Explain fully all items answered "Yes" in Item 8(b). *(If additional space is needed, a full insert page may be used.)*

10. If the foreign principal is an organization and is not owned or controlled by a foreign government, foreign political party or other foreign principal, state who owns and controls it.

The BGMEA is owned and controlled by the Garment Manufacturers in the private sector of this industry.

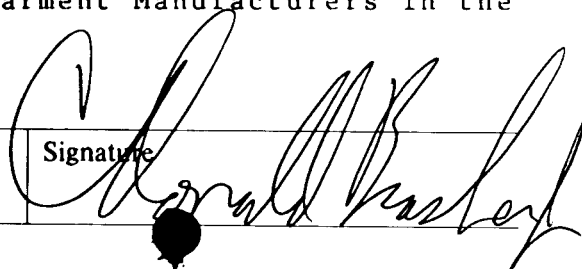
Date of Exhibit A

October 28, 1987

Name and Title

C. Donald Brasher, Jr.
Vice President

Signature



INSTRUCTIONS: A registrant must furnish as an Exhibit B copies of each written agreement and the terms and conditions of each oral agreement with his foreign principal, including all modifications of such agreements; or, where no contract exists, a full statement of all the circumstances, by reason of which the registrant is acting as an agent of a foreign principal. This form shall be filed in duplicate for each foreign principal named in the registration statement and must be signed by or on behalf of the registrant.

Name of Registrant

International Development Systems,
Inc.

Name of Foreign Principal

Bangladesh Garment Manufacturers
and Exporters Association

Check Appropriate Boxes:

1. ☒ The agreement between the registrant and the above-named foreign principal is a formal written contract. If this box is checked, attach two copies of the contract to this exhibit.
2. ☐ There is no formal written contract between the registrant and foreign principal. The agreement with the above-named foreign principal has resulted from an exchange of correspondence. If this box is checked, attach two copies of all pertinent correspondence, including a copy of any initial proposal which has been adopted by reference in such correspondence.
3. ☐ The agreement or understanding between the registrant and foreign principal is the result of neither a formal written contract nor an exchange of correspondence between the parties. If this box is checked, give a complete description below of the terms and conditions of the oral agreement or understanding, its duration, the fees and the expenses, if any, to be received.

4. Describe fully the nature and method of performance of the above indicated agreement or understanding.

IDS engages in preparing briefs for the bilateral textile negotiations between the United States and Bangladesh. An IDS Principle is on hand during the negotiations to explain to the Bangladesh delegation the finer points of such briefs and for explanation of matters arising during the negotiations. (We have attached our brief to this submission).

IDS provides data and advice on implementation of the bilateral agreement on a continual basis to the Bangladesh Government. At times this involves contact between IDS and the Department of Commerce Office of Textiles as well as the Chief Textile Negotiator's Office at USTR regarding issues pertaining to implementation of the bilateral agreement.

INTERNATIONAL
REGISTRATION
SECTION

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5. Describe fully the activities the registrant engages in or proposes to engage in on behalf of the above foreign principal.

Preparation of briefs and advice in relation to U. S. request for textile consultations.

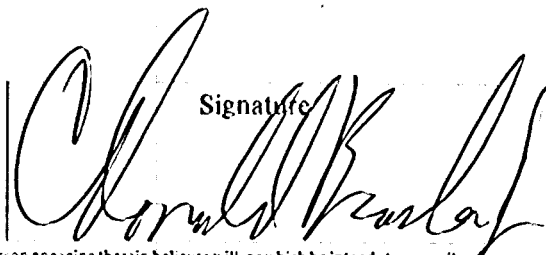
6. Will the activities on behalf of the above foreign principal include political activities as defined in Section 1(o) of the Act?¹
Yes ☐ No ☒

If yes, describe all such political activities indicating, among other things, the relations, interests or policies to be influenced together with the means to be employed to achieve this purpose.

Date of Exhibit B
October 28, 1987

Name and Title
C. Donald Brasher, Jr.
Vice President

Signature



¹Political activity as defined in Section 1(o) of the Act means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

INTERNATIONAL DEVELOPMENT SYSTEMS INC.

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202-783-0720

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July 27, 1987

This brief has been prepared by the International Development Systems, Inc. for the People's Republic of Bangladesh and the Bangladesh Garment Manufacturers and Exporters Association concerning consultations with the United States scheduled to commence in Washington, D.C. on July 29, 1987.

Introduction

On April 14 - 16, 1987, the Government of the People's Republic of Bangladesh met with the Government of the United States for consultations as a result of two requests for consultations made by the United States under Article 3 of the MFA. The first of these requests for consultations, made on October 31, 1986, was on Categories 645/646 (Synthetic Sweaters), and the second request, made on February 28, 1987 on Categories 338/339 (Knit Cotton Tops). During the April negotiations, the Bangladesh government eloquently showed that the United States did not meet the requirements for market disruption as provided for under Article 3 of the MFA. The consultations were concluded without agreement.

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On June 10, 1987, the United States implemented a unilateral restraint of 350,000 dozen on Categories 338/339 for goods exported beginning on February 28, 1987 through February 27, 1988. Also on June 10, 1987, the United States implemented a unilateral restraint of 98,379 dozen on Category 645/646 for goods exported October 30, 1986 - October 29, 1987. Category 338/339 embargoed on July 16, 1987, and as of July 24, 1987, Category 645/646 was 80 percent filled as of July 24, 1987.

On June 22, 1987, the United States made another request for consultations under Article 3 of the MFA. This request concerned United States imports of cotton and synthetic skirts from Bangladesh. At the time of the request, the United States diplomatic note stated, "The current level of imports of these cotton and man-made fiber skirts from Bangladesh is disrupting the United States market." The United States also noted that if consultations did not resolve in agreement, then the United States reserved its rights to restrain imports of Category 342/642 to a level of 111,761 for goods exported on June 22, 1987, through June 21, 1988.

This brief evaluates the market statements supplied to Bangladesh at the time the requests were made by the United States. Sections on this brief pertaining to Category 338/339 and Category 645/646 have only been slightly rewritten. The arguments are the same as presented in our brief for the April

negotiations. The data has, of course, been updated and is the latest available. We have left the section in the brief entitled "Criteria for Market Disruption" more or less the same. The criteria, of course, have not changed.

The arguments regarding the criteria for market disruption may sound rather dull or stale. They are, however, still the criteria which must be used by the United States when Article 3 calls are made. If the United States market statements do not meet these criteria, then the calls are invalid and unjustified. If the United States does not take the arguments made by the Government of Bangladesh seriously and evaluate fairly whether the criteria of Article 3 have been met, it will be necessary to present the cases before the TSB in Geneva for review. Recourse at the TSB is provided for under the terms of Article 3 of the MFA when agreement cannot be reached.

It is doubtful that the United States will be very flexible in these negotiations or forthcoming with respect to proposing quota levels unless they believe Bangladesh is serious about pursuing several different legal and diplomatic options if necessary.

Criteria for Market Disruption

The MFA provides that certain criteria be used when taking actions to restrain trade. The criteria is presented in Annex A of the MFA (see Attachment B). Annex A states that "the determination of a situation of 'market disruption' as referred to in this arrangement, shall be based on the incidence of serious damage to domestic producers, or actual threat thereof. Such damage must demonstrably be caused by factors set out in Paragraph 2 below, and not be factors such as technological changes or changes in consumer preferences." The factors set out in Paragraph 2 state that the market disruption must be caused by a "sharp and substantial increase" of imports at "prices which are substantially below those prevailing for similar goods." The market statement must therefore show three things in order to be valid:

1. "Serious damage to producers or actual threat thereof";
2. The damage is caused by a "sharp and substantial increase in imports"; and,
3. The imports are "at prices which are substantially below those prevailing for similar goods."

The following analysis shows that the market statements submitted by the United States do not meet these criteria. They fail to meet the first criterion, as they do not show "...serious damage to domestic producers or actual threat thereof...." The statements meet only half of the second criterion, by showing that "...a sharp and substantial increase in imports..." exists. However, they do not show that this increase in imports is causing or actually threatens to cause market disruption. The United States market statements contend that the third criterion, regarding prices, exists without providing any support for this claim. A close examination of the market statements on similar products given to other countries calls into doubt the validity of United States prices provided in these market statements.

Even if the market statements were to fully met two of the criteria fully (and they do not even meet one of the criteria fully), the United States case for market disruption would still fail. All three criteria must be met and demonstrated in the market statements. If the market statements do not support all three criteria, then the actions are unjustified and invalid. If any one of the three criteria is not supported, then the United States actions are not warranted.

IDS, Inc. has carefully examined the United States market disruption statements and has studied carefully the available United States market data. We have concluded that the United States has failed to demonstrate, under the terms of Annex A of the MFA, that market disruption exists. Therefore, these actions are unjustified under Article 3. As such, the United States actions are not warranted and should be withdrawn.

The next sections of this brief present available evidence showing why the United States has not shown market disruption in each category.

Category 338/339 (Cotton Knit Shirts and Blouses)

The United States market statements contend that the United States production of these products has declined 7 percent from 1983 to 1985 and that "...the United States market has been disrupted by imports... " and "... a substantial increase in imports from Bangladesh contributed to this disruption...." However, the market statements do not show how imports from Bangladesh, which only began in 1986, are connected to United States production declines experienced between 1983 and 1985. The United States arguments appear to be quite irrelevant to the Bangladesh situation.

The following table shows United States production and United States imports from 1983 to 1985 for both categories individually and combined. The United States market statements only showed the combined totals.

United States Production of Cotton Knit Shirts and Blouses

Units = Thousands of Dozens

<u>Category</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>Percent Change</u>	
				<u>1983 - 1985</u>	<u>1984 - 1985</u>
338	15,806	15,500	16,166	+ 2.3	+ 4.3
339	8,332	7,470	6,302	- 24.4	- 15.6
338/339	24,138	22,970	22,468	- 6.9	- 2.2

Source: U.S. Department of Commerce, I/P Publication

United States Imports

Units = Thousands of Dozens

<u>Category</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>Percent Change</u>	
				<u>1983 - 1985</u>	<u>1984 - 1985</u>
338	8,707	10,703	9,005	+ 3.4	+ 15.9
339	7,409	10,034	9,452	+ 27.6	- 5.8
338/339	16,116	20,737	18,457	+ 14.5	- 11.0

Source: U.S. Department of Commerce, Census Bureau

The United States market statement is correct in its assertion that production fell by 7 percent from 1983 to 1985 in Category 338/339. On our table, the calculations show this decline to be 6.9 percent. However, note that most of the decline occurred between 1983 and 1984. Production of the two categories only declined by 2.2 percent from 1984 to 1985.

It is the contention of the United States that declines in market share and declines in production from 1983 to 1985 are somehow relevant to the existing situation. A close examination reveals that this historic market situation hurts the United States case.

First, note from the above production table (page 7) that production of Category 338 increased by 2.3 percent from 1983 to 1985 and that it increased by 4.3 percent from 1984 to 1985. Bangladesh does not have significant trade in Category 338 then or now; but even if there was, based on the production increases,

the United States has no case that market disruption exists in Category 338. There is no reason, therefore, for the United States to call Category 338.

The United States market statement contends that the United States manufacturers' share of this market declined from 60 percent in 1983 to 55 percent in 1985. This implies that this decline of market share is evidence of a problem with the United States market. But if a decline in market share is a bad sign regarding the United States market, then an increase in market share is a good indication of the health of the United States market. The following table shows the size of the United States market in dozens and the percent share United States manufacturers have of this market:

United States Manufacturers' Share of United States Market

Units = Thousands of Dozens

	1983	1984	1985
United States Market in Category 338/339	40,254	43,707	40,925
United States Manufacturers' Share of United States Market	60.0 %	52.6 %	54.9 %

Source: U.S. Department of Commerce, I/P Publications

Note that the United States market statement is quite correct: the 60.0 percent share that United States manufacturers had of the market in 1983 was correct, and this declined to 54.9

percent in 1985. However, note that the decline occurred from 1983 to 1984. From 1984 to 1985, the share of United States manufacturers had of the United States market actually increased 2.3 percent. This increase indicates a healthy, not disrupted, market.

It is difficult to see the relevance, to the Bangladesh situation, of changes occurring between 1983 and 1985 with regard to market share, but to the extent that it is relevant, it is important to note that the situation was improving between 1984 and 1985.

Therefore, from the data in the market statements supplied to Bangladesh at the time of the call, it appears that the United States' contention of market disruption is weak for two reasons. First, United States production declines between 1983 and 1985 are hardly relevant to 1987. Second, a close examination of the market situation shows very positive signs in that period for Category 338. It shows that for knit shirts as a whole, the situation improved from 1984 to 1985. The most damaging factor to the United States case is the fact that it did not supply very current market data, and it did not even attempt to show Bangladesh's impact on that market.

IDS, Inc. has examined more current data published by the United States Census Bureau. This is known as "cuttings data".

The accuracy of the cuttings data is questionable. However, the Census Bureau (the United States government agency that creates and publishes the data), has stated that the data is a useful tool in pointing out trends in the market. The data provided is for all knit shirts and blouses; unfortunately, the Census Bureau does not publish cuttings data by fiber at this time. The following table shows cuttings data in 1984 and 1985 for knit shirts and blouses:

Cuttings of Knit Shirts and Blouses

Units = Thousands of Dozens

	<u>1985 Revised</u>	<u>1986 Unrevised</u>	<u>1985 - 1986 % Change</u>
Men's	29,203	36,741	25.8
Women's Misses' and Juniors'	9,563	8,689	- 9.1
	-----	-----	-----
TOTAL	38,766	45,429	17.2

Source: U.S. Department of Commerce, Census Bureau

United States production has increased from 1985 to 1986. Admittedly, this includes production in synthetic fibers. However, in light of the fact that there has been a general shift from synthetic fibers to cotton in the last several years, it is fair to assume that production has increased in cotton knit shirts as well.

For these reasons, it appears that the market is showing signs of health and is not showing signs of disruption as is contended by the U.S. market statement.

We were unable to independently verify the United States data on prices. The United States market statements did not provide sources for the data. The statements also did not supply data on the other "appropriate factors" pertaining to market disruption such as turnover and profits. In conclusion, the United States market statement was severely lacking as it did not show "...serious market disruption or the threat thereof...." Current production data were not supplied by the United States and were independently obtained. These data show significant growth in the United States production of the articles thought to be causing market disruption. This does not indicate a situation of disruption. In fact, from the available evidence, it appears the industry is quite healthy.

In the upcoming negotiations, the United States may argue that given the tremendous growth in imports in these categories, there is certainly a "threat of" market disruption. Note the import trends in the following tables:

U.S. General Imports

Units = Dozens

	Year Ending May 1986			Year Ending May 1987		
	<u>Bangladesh</u>	<u>World</u>	<u>% Share</u>	<u>Bangladesh</u>	<u>World</u>	<u>% Share</u>
338	28,663	11,370,016	0.3	202,570	12,962,662	1.7
339	312,514	14,165,294	2.2	1,057,563	16,561,915	6.4
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338/339	341,177	25,535,310	1.3	1,260,133	29,524,577	4.3

Source: U.S. Department of Commerce, Census Bureau

Imports from Bangladesh increased by 918,956 dozen from year ending December 1986 to year ending May 1987. This amount accounts for 3 percent of total U.S. imports. Note that most of this increase was in Category 339. Because of the large volume of trade in Category 339, it may be necessary to discuss a restraint level. However, if this is done, it should be argued that Category 338, men's cotton knit shirts, does not warrant restraint. Imports in Category 338 are minimal and the U.S. market for this product is very healthy. The following table shows production of men's knit shirts and men's cotton knit shirts in 1985 and 1986:

U.S. Production of Men's Knit Shirts

Units = Thousands of Dozens

	1985	1986	% Change
Total Production	39,295	40,047	1.9
Cotton Production	12,398	13,500	8.9

Source: U.S. Department of Commerce, Census Bureau

Note that production of men's shirts has increased by 1.9 percent and that production of cotton knit shirts increased by about 9 percent. With such positive signs occurring in the U.S. market, it will be impossible for the United States to argue convincingly that exports from Bangladesh in men's cotton knit shirts are disrupting the U.S. market.

Category 645/646: Synthetic Sweaters

The United States contends in its call notice that "...the current level of these man-made fiber sweaters from Bangladesh is disrupting the United States market." The call notice also contends that "...a description of such impact on the United States market..." would be provided in the market statement to be attached with the call notice. Upon examining this market statement closely, it is difficult to find this description. Furthermore, a close evaluation of the United States data indicates that there is no market disruption and that trade from Bangladesh has not adversely affected the United States market.

As in the case of Category 338/339, the United States cites falling production between 1983 and 1985 as relevant to the current situation with respect to Bangladesh's exports to the United States. The following table shows United States production in Category 645 and 646 individually and combined:

United States Production of Synthetic Sweaters

Units = Thousands of Dozens

<u>Category</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>Percent Change</u>	
				<u>1983 - 1985</u>	<u>1984 - 1985</u>
645	2,162	1,722	1,635	- 24.4	- 5.1
646	5,073	5,090	4,312	- 15.0	- 15.3
TOTAL	7,235	6,812	5,947	- 17.8	- 12.7

Source: U.S. Department of Commerce, I/P Publications

Note that the production of Category 645 declined only slightly from 1984 to 1985. However, Bangladesh exports experienced significant decline in 1986. United States imports from Bangladesh for the 12 months ending May 1987 are down 17 percent from the same period in 1986. Such declining imports cannot be causing or threatening to cause a problem.

It is evident, however, from the above table that production of both categories of synthetic sweaters declined from 1983 to 1985. This appears, on the surface at least, to satisfy the first criterion of showing market disruption as set out in Annex A. However, remember that the second criterion states that this disruption must be caused by imports. It is implicit in the United States argument that this decline is due to imports. A closer examination of these statistics reveals that this is not the case.

The following table shows United States production of synthetic sweaters together with United States production of cotton sweaters:

United States Production of Cotton and Synthetic Sweaters

Units = Thousands of Dozens

				<u>Percent Change</u>	
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1983 - 1985</u>	<u>1984 - 1985</u>
Synthetic Sweaters	7,235	6,812	5,947	- 17.8	- 12.7
Cotton Sweaters	2,033	3,095	4,723	+132.3	+ 52.6
	-----	-----	-----	-----	-----
TOTAL	9,268	9,907	10,670	+ 15.1	+ 7.7

Source: U.S. Department of Commerce, Bureau of the Census

It is apparent from the above table that declines in the production of synthetic sweaters have been more than offset by the increase in production in cotton sweaters. There has been no market disruption. Imports have not been adversely affecting the United States market. There has been a shift in production from synthetic fibers to cotton fibers. This shift is due to a change in the demand for these products. The MFA Annex A expressly states that the damage cited in Article 3 should not be by "factors such as technological changes or changes in consumer preferences." It is clear that the decline in production is not due to the "appropriate factors" as required under Annex A for the call to be justified.

More recent United States production data also do not support the contention that there is market disruption. United States 1986 production data has just been made available.

United States Production of Synthetic Fiber Sweaters

Units = Thousands of Dozens

	<u>1985</u>	<u>1986</u>	<u>% Change</u>
Men's and Boys'	1,589	1,715	8.0
Women's Girls' and Infants'	4,057	4,235	4.4
	-----	-----	-----
TOTAL	5,646	5,950	5.4

Source: Department of Commerce, Bureau of the Census
(These data are slightly different than the data on
page 14, as they are from a different source.)

The table shows that United States production of women's, girls', and infants' sweaters has increased by 4.4 percent. The total production of synthetic fiber sweaters is up 5.4 percent. The production of Men's and Boys' sweaters is up 8.0 percent. Given these increases, it is very difficult to see how the United States can contend there is market disruption in the industry. It is even more difficult to see how the United States can contend that Bangladesh is causing market disruption in this industry. On the basis of both historical and current data, it is apparent that Bangladesh imports are not causing market disruption.

Prices

United States price data are very mysterious. There is no source indicated on how the data are compiled. It is very interesting to note that the United States producer price is

cited as being between \$ 81 - 84 in the market statement presented to Bangladesh for TSUSA 384.8073. The United States market statement cites this TSUSA number as being the major TSUSA number from which trade has been impacting the United States market. The TSUSA number is for "women's and girls' man-made fiber knit sweaters not ornamented." United States imports from Bangladesh in this TSUSA number, for the year ending January 1987, account for over 71 percent of United States imports of sweaters. In a similar market statement that was supplied by the United States to Yugoslavia in August 1986, United States price was cited as being between \$ 60 - 63 per dozen. This is much more in line with the prices being charged by Bangladesh, which are cited by the United States as being at \$ 56.18 per dozen. The U.S. negotiators should be asked why the United States price increased from \$ 60 - 63 per dozen in August to \$ 80 - 84 per dozen in October. Surely, with the price increase of this magnitude in 3 months, this product must have been in short supply. In effect, the demand must have increased at such a rate as to have outpaced the United States efforts to supply the market. Rising prices generally mean that producers are better off. Again, this factor indicates health, not damage, in the United States market. The following table cites the prices given by the United States in recent market statements:

Women's and Girls' Man-Made Fiber Sweaters, not Ornamented
in Recent United States Market Statements

<u>Exporting Country</u>	<u>Date</u>	<u>Exporting Price (in dollars)</u>	<u>United States Price (in dollars)</u>
Yugoslavia	08/86	39.55	60.00 - 63.00
Japan	09/86	55.56	81.00 - 84.00
Bangladesh	10/86	56.18	81.00 - 84.00
Panama	11/86	72.87	111.00 - 117.00

It is obvious that the United States prices are actually increasing, and this is an indication of a healthy market. The profits of United States producers probably went up as higher prices were charged for the product.

Conclusion

On the basis of these facts the United States may withdraw the call on Categories 645/646. They can be done by allowing the restraint to expire on October 30, 1987, and not extending the call. Therefore, we strongly recommend not settling for restraint levels on these products during the present negotiations. The Bangladesh case, if raised at the Textile Surveillance Body in Geneva, is sure to prove very embarrassing to the United States and will likely result in a recommendation by the TSB to withdraw the call. Such a recommendation would make it highly improbable that the United States would call this category again after it expires in October.

The United States contends in the market statements supplied to Bangladesh that "...the current level of imports in these cotton and man-made fiber skirts from Bangladesh is disrupting the United States market...." However, the market statement fails to show that there is market disruption in the United States industry in this product. The market statement failed to show how imports from Bangladesh can in any way be causing disruption or threatening to cause disruption to the United States industry. The market statement merely says that imports are disrupting the United States market. It does not explain how this is occurring.

IDS has considered the arguments in the statement carefully and has concluded that not only do they fail to justify the United States action, but that the market statement is inaccurate and misleading.

The following table shows United States imports from Bangladesh in Category 342 and 642:

U.S. Imports of Cotton and Synthetic Shirts

Units = Dozens

	Year Ending May 1986			Year Ending May 1987		
	<u>Bangladesh</u>	<u>World</u>	<u>% Share</u>	<u>Bangladesh</u>	<u>World</u>	<u>% Share</u>
342	49,999	3,204,148	1.6	121,276	3,837,897	3.2
642	7,464	2,790,718	0.3	26,170	2,937,432	0.9
TOTAL	57,463	5,994,866	1.0	147,446	6,775,329	2.2

Source: U.S. Department of Commerce, Census Bureau

Note that Bangladesh accounts for 2.2 of United States imports in Categories 342 and 642. United States imports from Bangladesh in Category 642 are very low. Bangladesh does not even show up in the Department of Commerce's import report used to monitor trade in these products. United States imports in Category 642 of 26,170 dozen for the year ending May 1987 are less than 0.4 percent of United States imports of cotton and synthetic skirts. Almost all of Bangladesh's trade in this product is in Category 342 (Cotton Skirts).

The United States market statement notes that "...the United States production of cotton and man-made fiber skirts declined 5 percent from 8,233,000 dozen in 1983 to 7,805,000 dozen in 1985." This decline in production does not appear relevant to the Bangladesh situation as Bangladesh imports only began in 1986. Furthermore, a close examination of this historical data show

that the historical data themselves are unsupportive of the U.S. position, and, in fact, support the Bangladesh contention that the market statement is invalid.

The following table shows U.S. production of Category 342 and 642 for each category and for imports in the combined categories. The U.S. market statement presented only production trends in the combined categories.

U.S. Production of Cotton and Synthetic Skirts

Units = Thousands of Dozens

<u>Category</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>% Change 1984 - 1985</u>
342	2,004	1,911	1,920	0.5
642	6,229	6,032	5,885	- 2.4
342/642	8,233	7,943	7,805	- 1.7

Source: U.S. Department of Commerce, I/P Publication

Note that on the basis of this data, it appears that the U.S. market statement is irrelevant for two reasons. First, from the previous table on imports, it is evident that imports from Bangladesh only began to be significant in 1986 and 1987. It is very difficult to see how imports from Bangladesh can be related to a small decline of 1.7 percent of U.S. production of skirts from 1984 to 1985.

Second, it is also apparent from the table showing import trends from Bangladesh that Bangladesh's trade is significant only in cotton skirts. Cotton skirt production was up half of a percent in 1985 versus 1984. Therefore, to the extent that this historical production data are relevant to the Bangladesh situation they do not support the U.S. contention that there is market disruption.

The United States does make an attempt to present more recent data to support its case. However, this attempt fails completely and upon objectively evaluating the most recent data, one can only conclude that this call was made in error.

The market statement predicts that "A comparison of government cuttings data for 1986 and 1985 indicate that 1986 production will be down 4 percent."

This prediction made in the United States market statement that skirt production would be down or at least even versus 1985 was wrong. Skirt production was up about 2 percent in 1986 over 1985. The following table shows total United States skirt production and production of cotton skirts:

United States Production of Skirts

Units = Thousands of Dozens

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>% Change</u> <u>1985 - 1986</u>
Skirts	8,127	7,948	8,082	1.7
Cotton Skirts	1,676	1,605	2,322	44.6

Source: United States Department of Commerce, Census Bureau.

Note from the table that cotton skirt production was up 44.6 percent in 1986 over 1985. These are the same articles being imported from Bangladesh, allegedly causing injury.

Conclusion

By using both historical and current production data, the United States attempted to show that Bangladesh exports in skirts was causing a problem in the United States market. Upon close examination and evaluation of this data (especially the more current data which is more relevant to the Bangladesh situation) it was revealed that the U.S. market cannot be said to be disrupted by Bangladesh exports. United States production is up about 45 percent in the articles being traded by Bangladesh. If ever there was a case for a favorable TSB recommendation, this is it. The United States should be requested to withdraw this call, and if this is not done, the TSB should be asked to review this situation immediately. A timely response from the TSB

should be requested on the basis that past history has shown that the U.S. is likely to embargo trade from Bangladesh unilaterally even after consultations posed serious questions about the legitimacy of the United States actions.

SUMMARY OF NEGOTIATIONS

Consultations will likely focus on the following issues:

I. Called Categories

- A. 645/646 (Synthetic Sweaters)
- B. 338/339 (Cotton Knit Tops)
- C. 342/642 (Cotton and Synthetic Skirts)

Consultations on the called categories should focus first on the merits of the United States market statements. Bangladesh is in a good position to cast doubt on the validity of the U.S. case.

II. Non-Called Categories

- A. 638/639 (Synthetic Knit Tops)
- B. Ramie and Silk-Blend Products

U.S. imports in Categories 638 and 639 have grown rapidly over the last three months. The year ending May imports from Bangladesh in Category 638/639 is 488,860 dozen. Bangladesh is now the highest uncontrolled supplier of this product to the United States. The United States has in recent negotiations attempted to merge 838 (Silk and Vegetable Fiber except Cotton Knit Shirts) with the synthetic blend knit shirts.

III. Visa Arrangement

- A. Effective Date
- B. Exempt Items

The effective date of the visa arrangement should be settled as soon as the Bangladesh government is ready to implement it. The United States Customs service will need to review the samples of the exempt items. We do not expect major difficulties in this area. It is, however, difficult to predict what areas may be considered a problem by U.S. Customs.

IV. Data Reconciliation and Flexibility

- A. Category 647/648 (Synthetic Trousers)
- B. Other Categories

Currently, Category 647/648 (Synthetic Trousers) is embargoed. Two problems with the United States data have been identified. The first pertains to double counting when "charge letters" are made. The second problem is related to an inaccurate date of export.

SUMMARY OF UNITED STATES POSITION

1. Called Categories

The United States negotiators will attempt, as much as possible, to exploit the political problems caused by the embargo on Categories 338/339. They understand that the Bangladesh government is under considerable pressure from the Bangladesh industry to solve the problem with this quota. The United States will make offers at least to solve the problem with this quota in the short run, and therefore, take the "political pressure" off the Bangladesh government. In return, the United States will attempt to connect a solution on Categories 338/339 to a package deal. Such a deal will likely be very damaging to the continued development of Bangladesh's industry. But as there is usually no backing in an exporting government for potential development, the United States will expect the Bangladesh government to agree to its proposals on its terms. In the end, the United States may not make any proposals which are in Bangladesh's interests. It certainly will not make proposals which are in Bangladesh's interests as long as it feels it can get the type of deal it expects. Most countries tend to end up giving the United States what it wants in these types of negotiations, and the United States negotiators have grown used to it. The one major exception to this is China. China is now the major supplier to the United States market.

2. Non-Called Categories

In the past, the United States has tried to obtain agreement on group and aggregate quotas. Fortunately, this has been resisted in Bangladesh's case thus far. The United States has, on occasion, obtained Bangladesh's agreement for restraints on non-called categories. Therefore, it is likely that the United States negotiators will propose restraints on some non-called categories. This may include creative proposals such as merging Categories 638, 639 and 838 with Categories 338 and 339, as well as merging Categories 842 with Categories 338 and 339.

SUMMARY OF IDS RECOMMENDATIONS

1. Called Categories

Bangladesh should ask the TSB to review these calls and obtain recommendations if the United States does not withdraw their calls. Our last brief has fully explained the merits of this action.

In the past, it was not necessary to go to the TSB, as the threat to go to the TSB was sufficient to force the United States to be at least partially forthcoming.

2. Non-Called Categories

It is almost never in an exporting country's interest to agree to restraints in non-called categories. It is best to remove this as an option from the U.S. hand, from the very beginning, and insist on a very strict agenda. If the United States negotiators believe they can "water down" any offer in any non-called categories, they will do so. If group quotas are mentioned, the Bangladesh negotiators should be very direct in not accepting this type of restraint as negotiable. If the United States continues to press this issue, consultations should be terminated.

3. Visa Arrangement Recommendations

IDS recommends resolving any outstanding differences on the visa arrangement during this round of consultations. The effective date of the visa arrangement should be as early as possible for the Bangladesh government to implement it.

4. Data Reconciliation and Flexibility

The errors in the U.S. Customs data can be used to obtain negotiating leverage in attempting to get the United States to be more forthcoming. IDS has found errors in the charges for both Categories 647/648 and for Category 641. These errors were the result of double counting between the Census data used in the charge letters and the Customs data used after the quotas were put under import control. The problem with the date of export, it seems, is follows: when goods are shipped from Bangladesh, they are often shipped to Singapore. The vessel then leaves Singapore with the goods and arrives in the United States. The problem is that often the date of export reported by the importer to the U.S. Customs service can be the date of export from Singapore, rather than the date of export from Bangladesh. Goods leaving Bangladesh prior to the effective date of the quota should be quota-free. But if these goods have a date of export after the effective date of the quota, due to transshipment

through Singapore, the United States will mistakenly charge the goods against the quota. If this can be demonstrated by obtaining the documentation, then the United States is likely to be somewhat flexible in granting additional flexibility in the relevant quotas or in deducting charges. We believe that once the data problems have been addressed, the full flexibilities for Bangladesh's quotas should be requested for last year's restraints at this time. This will affect the current year's fill rates. Also, in some cases, flexibility for the current year should be made at this time.

CONCLUSION

This consultation is probably the most important consultation Bangladesh has had with the United States since those which pertain to Category 340. During the consultations on Category 340, the United States was very inflexible. It attempted to do whatever it could to damage the medium and long-term interests for the development of Bangladesh's industry. These negotiations are very similar. The United States will again attempt to exploit the political pressures which have arisen. The only way for Bangladesh to obtain agreement in its interests is to be perfectly clear to the United States that deals will not be struck which will only be in Bangladesh's short-term interest. The United States should be made to understand that on the merits of these cases for market disruption or, rather, the lack of merit, Bangladesh is willing to pursue whatever legal and diplomatic channels are necessary to defend its interests. Bangladesh should be able to refute the U.S. market statements in front of any objective body. If the United States realizes that Bangladesh will go to the TSB unless agreement is reached on the called categories taking into account Bangladesh's needs without damaging its development interests, they may possibly become more reasonable during these consultations.

Bag Contract

INTERNATIONAL DEVELOPMENT SYSTEMS INC.

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July 8, 1986

**PROPOSAL TO THE BANGLADESH GARMENT MANUFACTURERS
AND EXPORTERS ASSOCIATION (BGMEA)**

The purpose of this proposal is to set forth the elements and conditions for an agreement between BGMEA and the International Development Systems Inc. (hereinafter "IDS"), in regard to trade in textiles and apparel from Bangladesh to the United States.

Under this agreement, IDS will provide reporting and consulting services to BGMEA on significant matters involving the textile and apparel trade of Bangladesh. This would include:

- I. Monitoring and reporting on U.S. agreements and trade data.
- II. Providing regular assessments and recommendations to deal with potential problems in the following areas:
 - A) Risk of calls on new category exports;
 - B) Agreement implementation and avoidance of embargo situations;
 - C) Impact of broader fiber coverage under of an extended MFA;
 - D) Trade data discrepancies; and
 - E) Visa systems.

III. Working with the Government of Bangladesh and BGMEA to develop administrative systems for the efficient and optimum utilization of quota.

In connection with the services provided under this agreement, IDS will consult with the embassy staff and other appropriate Government of Bangladesh and BGMEA officials for explanation, analysis, and clarification of activities within the U.S. textile restraint program that impact upon trade from Bangladesh. This would include IDS assistance and advice during negotiations with the U.S. under the current bilateral or negotiations for a new bilateral. IDS will also provide to the Government of Bangladesh basic, preliminary data and recommendations on U.S. requests for consultations (calls) during the term of this agreement.

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IDS is prepared, at the request of BGMEA to work with the Government of Bangladesh in developing appropriate strategies and responses to these calls. IDS will be prepared to provide tactical advice and the statistical and economic analysis required by the Government of Bangladesh to achieve the best possible results from these consultations. These analyses would include in depth assessments of the U.S. market statements submitted in justification of U.S. actions to determine whether or not these statements are consistent within the terms and conditions set out in the MFA.

This agreement will not include major or extensive research projects or reports. Also, it will not cover countervailing duty or anti-dumping cases; nor, court proceedings involving trade disputes or Section 201 actions under the U.S. Trade Act. These items would be addressed under separate agreement.

The term of this agreement shall be for the twelve (12) month period beginning on the date of acceptance and signing of this agreement.

Professional fees for providing the basic services under this agreement will be \$15,000 U.S. Payable upon execution of this agreement. Additional professional fees will be charged for specific work done in connection with Bangladesh/U.S. consultations on called categories. These fees will be on an hourly basis, not to exceed \$5,000 U.S. per call. The hourly fees for IDS are as follows:

Clinton Stack	\$175
Donald Brasher	125
Senior Associate	100
Economists	75
Statisticians	40

For travel outside the United States, professional fees would be charged on a per diem basis, equivalent to seven (7) hours per day at the above rates.

IDS will be reimbursed for all out-of-pocket expenses including local transportation, telephone, telex, travel and living expenses outside of the Washington, D.C. area, copying and delivery of documents, secretarial overtime, business meals, and other expenses excluding normal overhead expenditures.

W. J. Brown

PROPOSAL TO THE BGMEA
July 8, 1986
Page 3

Expenses shall be itemized, billed, and payable monthly. No major expenses, such as overseas travel, will be incurred unless specifically agreed to by BGMEA.

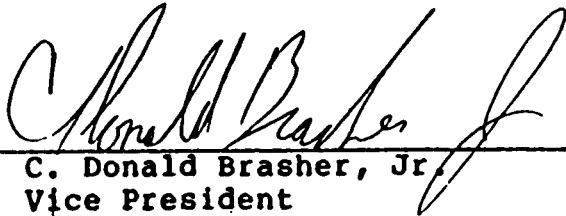
* * *

If the above terms are acceptable to BGMEA, please sign and date two copies, returning one copy to IDS and retaining one copy for your records.

Respectfully Submitted,

INTERNATIONAL DEVELOPMENT SYSTEMS INC.

By:


C. Donald Brasher, Jr.
Vice President

APPROVED AND ACCEPTED

FOR THE BGMEA *With effect from 1 Sept '86*

W. Helmer

By: PRESIDENT

Date: 1 Sep 86